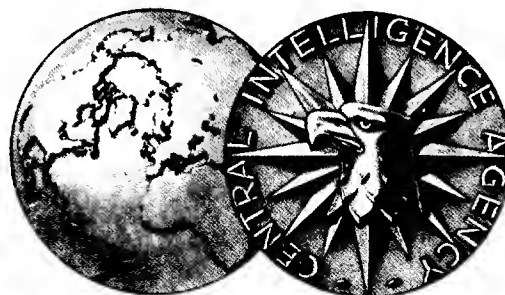


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REVIEW OF THE WORLD SITUATION



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S E C R E T

**REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY
OF THE UNITED STATES**

SUMMARY

1. A balance sheet of the relative security positions of the US and the USSR is here drawn up both globally and regionally. It takes into consideration the possible alterations that have been produced during a year which has included

- a.* The first phase of the European Recovery Program.
- b.* The negotiation and signing of the North Atlantic Defense Pact.
- c.* The proposal of a Military Aid Program supplementary to the Pact.
- d.* The problem of control and consolidation in the Soviet orbit.
- e.* The definitely unfavorable turn that events have taken in the Far East.

2. A categorical summary of such a balance sheet states

a. The global position of the US has been slightly improved. This conclusion, based as it is on a favorable change in the immediately important European situation, cannot be validly projected beyond the short-term.

b. Europe: definitely more favorable to US.

c. Near East: basically unchanged.

d. Far East (China-Southeast Asia): definitely less favorable.

e. Far East (Offshore Islands): slightly less favorable and dependent upon direct subsidies.

f. Latin America: no basic change for US, definitely less favorable to USSR.

Note: This review has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force. The information herein is as of 15 April 1949.

S E C R E T

1

SECRET

**REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY
OF THE UNITED STATES**

RELATIVE SECURITY POSITIONS: US-USSR.

1. The signing of the Atlantic Pact is, in one sense, the culmination of a period during which US policy has primarily sought to alter the unfavorable security position in which the US stood in 1946 in relation to the USSR. During this period, the factors considered significant to the broad problem of security have expanded from specific strategic and political issues to include economic and psychological considerations, as well as proposals to improve the underdeveloped regions of the world. Now that a definite certain point has been reached, the time is right for a general stock-taking.

2. *Europe:* The cumulative combined effect of economic revival and of the successful negotiation of a North Atlantic Defense Pact has modified the relative positions of the US and the USSR in Europe in a marked way. Economic aid and defense plans—even unaccompanied by military equipment—have mutually worked to recreate in Western Europe those significant intangibles: public morale and a more optimistic psychological atmosphere.

In particular, ECA funds have enabled the UK to strengthen its economic position. This improvement has, in turn, permitted the UK to give more consideration to the requirements of Western European nations, to maintain a measure of leadership in Western Europe, and to re-establish its international position more firmly than seemed possible a year ago. The politico-economic stability of the Benelux countries has improved and their disposition to support US aims in Europe is assured. The internal economy of France has been strengthened to the point where the capacity of both Communists and Gaullists to make political capital out of popular discontents has fallen below the critical point. A combination of economic collapse and political chaos has been so far avoided in Italy. Mass response to Communist appeals has dwindled and the government comes to the problem of controlling organized subversion with heightened morale and capability. Economic gains have been sufficient to block Communist efforts politically to exploit the uncertain situation in Western Germany. In Austria, the stability of the anti-Communist government has been maintained by the use of ECA funds.

These positive advances have benefited the US conduct of the "cold war" in Europe. A spirit of resistance to Communist propaganda has developed and a clearer understanding of Communist tactics has grown up. A general tendency to oppose the further spread of Soviet influence in Western Europe appears to be established. The negotiation of an Atlantic Pact aided this tendency by providing a previously lacking element of psychological security; and this in turn, increased the willingness of weaker states to accept the risk of Soviet reprisals and enter the Pact. To this extent, it is considered

SECRET

2

S E C R E T

that the US-USSR competition for influence and hence for the power potential of Western Europe has gone in favor of the US.

This does not mean, however, that the security position of the US has been improved in the quantitative sense of having moved nearer to equivalence with the force which the USSR deploys in or near Europe. It is possible, on the contrary, to consider that the position may for the time being have been weakened by the fact that US defensive commitments have become both more precise and more dispersed without a corresponding development of ready military capabilities having taken place in Western Europe.

Although this uncertain element is thus noted, it is emphasized that a real security value has been achieved simply by having checked the Soviet-Communist activities that were seeking to break down Western Europe. A process has now been set in motion that can be progressively developed into a more and more effective security system. Pending quantitative improvements by way of a Military Aid Program, however, the relative US-USSR power positions remain essentially what they were twelve months ago; that is, Soviet force in being is balanced by US potential and by the US possession of the atom bomb.* The effectiveness of this balance, though admittedly precarious, has permitted the US to go beyond its visible means in making commitments, and has enabled the US to define an increasing number of areas in which Soviet-Communist policy can take further action only at the risk of precipitating full-scale war.

Thus, though the inclusion of Norway, Denmark, Portugal, and Italy in the Atlantic Pact has not improved the US power position with respect to the USSR, it has contributed to the general security value noted above. Similarly, the absence of Sweden and the rejection of Spain do not immediately affect the power position in any significant way.**

The position of Germany and Austria continues uncertain. As long as ERP alone was in question, the problem of the significance of Central Europe to the US-USSR power conflict could be put to one side or discussed in economic terms. The development of a Defense Pact on the foundation laid by ERP, and the possibility that the Defense Pact will be accompanied by a Military Aid Program brings the problem to the fore. Taken in conjunction with the *de facto* partitioning of Germany, these developments have already led to plans for West and East German governments and economies. These plans do not yet correspond to political or economic realities; and, both in the East and the West, evoke traditional fears of German aggression. Thus, though the logic of US-USSR power relations points toward the consolidation of Eastern Germany in the Soviet orbit and the incorporation of Western Germany with a Western European defense system, these developments have not yet become explicit, and Germany continues to be an area of concentrated power competition. It is probable that, in consequence

* The over-all US position has been slightly bettered by positive improvements in US military capabilities. These improvements have taken place within the continental US.

** It is considered that the refusal to include Spain at this time has actually improved the US security position in the "cold war" by avoiding the introduction of a confusing issue into the relations of the signatories of the Pact and by denying the USSR a potent propaganda theme.

S E C R E T

3

S E C R E T

of the clearer drawing of lines elsewhere in Europe, the competition in Germany may be intensified. For this reason, Germany is likely to become an even more crucial area.

3. Since Western Europe has been considered a key area for US security, the maintenance of its potential and the re-establishment of its morale has resulted in a general improvement of the US global position. Even in regions remote from Europe the benefits of changes in Europe have been felt. The continuity of US interest has been illustrated and earlier doubts about the advisability of being linked with an uncertain US interest are being more carefully examined. This change is still so indefinable that it must be taken as an opportunity for development rather than as an accomplished fact.

4. *The USSR:* One measure of the significance of the growing stability of the Western world is found in various indications that the USSR is probably reconsidering its own relative position. The obviously growing consolidation of Western Europe has complicated the problem of Communist control in Eastern Europe. Reports from Satellite countries suggest a growing restiveness under increasing Soviet controls, even in a number of local Communist leaders. At lower Communist Party levels, dissension is developing around still lively nationalist feelings. An added factor is the appearance of a premature hope among Satellite non-Communists of being freed altogether from Russian domination, a hope which they wishfully draw from the success of the US in Western Europe. The over-all problem of control is not, however, an insurmountable one for the USSR; but the measures used have been those of expanding the machinery of control and of eliminating all organized dissent. It is almost a certainty that, if the relative US-USSR positions continue to shift in favor of the US, the USSR will speed up the steps necessary to convert Eastern Europe into a defensive buffer region. It is believed that high level changes in government personnel in the USSR are in part a reaction to the situation that has developed in Europe and reflect an apparent decision to consolidate the existing position in Europe as the maximum one presently attainable. While this consolidation is probably defensive in intent, it may also be intended to provide a firmer base for further attempts to penetrate Western Europe at a more favorable time in the future.

5. *Economic Strength:* In respect to comparative economic potential for war, the relative positions of the West and of the Soviet bloc have not significantly changed. It is true that the industrial output of the West increased more rapidly in 1948 than did that of the USSR and its Satellites; but the Western increase was generally absorbed by civil requirements. In terms of economic potential for war, the Soviet-Satellite group offset Western improvement by a relatively greater emphasis on military and capital goods, and on stockpiling; and by a tighter coordination of the economies of the USSR and its orbit countries.

6. Since US security is global and cannot be protected in Europe alone, a relative improvement in the US position in Europe must be balanced against an estimate of the position in other regions of the world.

7. *Near and Middle East:* At the points where this region borders the USSR and its orbit—Greece, Turkey, and Iran—tension between the USSR and the US has a con-

S E C R E T

S E C R E T

siderable history and questions of security have been continually under consideration. The US approach to the general problem was to devise a combination of economic and military aid for Greece and Turkey, and to give slight military aid to Iran. This method sought to make secure one limited segment of the US-USSR power conflict, just as later, ERP, the Atlantic Pact, and the supplementary Military Aid Program seek to make secure a larger segment.

In Greece, where guerrilla activities were and are a projection of Soviet policy, the success of the method is to be measured in terms of its achievements as a "holding operation." The means have not been available and do not yet exist for converting a "holding operation" into a positively improved US security position. Consequently, the position in Greece is fundamentally unchanged, although there are some slight signs that it may be in course of improving. This is partly the result of direct US aid finally beginning to have effect. It may partly be the result of frictions having developed within Communist ranks. It may be a reflection of the improved tone in Western Europe. The basic difficulties, however, are still operative. The military situation continues to have its ups and downs, as does the internal political situation. The re-establishment of a viable economy still lies in the future. US security, insofar as it calls for the maintenance of a position in Greece, continues to be based on subsidies.

The capacity of Turkey to keep its place in the defined pattern of US security is definitely better than it was a year ago. The defense establishment is in process of reorganization and related problems of logistics are being dealt with. The economic difficulties of the Turkish position, though their solution is not yet in sight, are being handled through ECA and International Bank channels. The only weakness at the moment is a psychological one. It derives from Turkish concern at being on the fringes of rather than in the Atlantic Pact. The feeling is strong that Turkey is in an exposed position and that the Turkish record with respect to the USSR merits more than oral reassurances. On the other hand, no alternative to serving US security interests presently exists for Turkey.

Iran has now been defined as a US security interest. This definition was not made in relation to a developed program of economic and military aid. It was made in order to strengthen US influence in Iran at a time when Soviet pressure was being renewed and when the Atlantic Pact gave rise to the notion that US power was to be concentrated in Western Europe. Although some military supplies have been provided and plans for strengthening Iranian economy are under discussion, the position in Iran is fundamentally uncertain. The Government shows no sign of weakening in its determination to resist the USSR; but some quarters seem to favor treading more softly and cautiously in the footsteps of the West. The situation is such that it is difficult, in fact and by temperament, for Iranians to ignore the Soviet menace and consistently to align themselves with the West.

8. For the rest of the Near and Middle East, although the situation is extremely fluid, it cannot be said that the relative security positions of the US and the USSR have been significantly changed in the course of twelve months. On the one hand, there are signs that the Arab States are individually seeking to re-establish closer ties with the

S E C R E T

5

S E C R E T

West in order to gain what protection they can against a successful Israel and in order to be in touch with the resources of the West. The decline of the Arab League * as an important political force simplifies these individual approaches by permitting more realistic decisions. On the other hand, however, the local power superiority and the presumed ambitions of Israel prevent a final stabilization of the Near East. The maximum that can be hoped for is a prolonged stalemate accompanied by minor disturbances. The USSR has not developed any other means of exploiting the situation as effective as the general one of supporting every cause that will serve to perpetuate the over-all instability of the region. Soviet intrigues with the Kurdish minority in the area are not likely to be significant. The possible channel of the left-wing party in Israel is checked by the superior political authority of the Government and by Israel's admitted dependence upon the US.

9. *India, Pakistan, Afghanistan:* Moving still further East to the Indian sub-continent, changes in the relative positions of the West and the USSR become increasingly difficult to calculate.

Measured in terms of its past system of imperial and colonial controls the position of the West is weaker. But measured by current fact, the decline of Western authority has not automatically improved the Soviet position. Political reality now requires both the West and the USSR to bid competitively for influence over new national units to which pressures can be applied only at the risk of building up resistance. The West, working chiefly through the UK, has played its hand with unexpected success in spite of holding some bad historical cards. It has gone further in maintaining its influence than has the USSR in developing its opportunities.

However, the very existence of new states in this region has released contradictory forces and created a degree of instability that increases US-UK security problems. Relations between India and Pakistan are being adjusted with difficulty. And, currently, relations between Pakistan and Afghanistan are deteriorating alarmingly.** The heightened nationalism of India is developing a concept of India as the natural power center of Southeast Asia. A new factor is thus introduced not only into Western relations with India but into the policies and methods which the Western Powers are trying to apply in Southeast Asia.

10. *The Far East:* In the Far East, generally, the relative power positions of the US and the USSR have definitely changed in the USSR's favor. If it can be concluded that, in Europe, Soviet action against US security has been severely restricted, it must be admitted that the Far East, in contrast, has become a wide open field for maneuver. Soviet policy and Communist ideology have been translated into programs of action that have wide popular appeal. Proof of this can be found in the success with which a small handful of Chinese Communist leaders have converted doctrine into a definitive mili-

* The 10th session of the Arab League Council adjourned after three dreary and routine meetings. In addition to an embarrassing lack of financial support, there is evidence that Arab rivalries have come into full play again.

** The possibility of open hostilities between these states should be tentatively considered; and the value of an exhausting tribal turmoil on one of the routes from the USSR to India should be kept in mind in connection with Soviet aspirations in Asia.

S E C R E T

6

S E C R E T

tary victory over the Nationalist Government, and simultaneously into a defeat for the US in the "cold war" in Asia.

The consequences of this reversal have been widespread and cannot yet be fully measured. It is certain, however, that the process of re-establishing a new US position will be exceedingly complex and that the hope of making it a favorable one cannot be quickly realized. At the present moment, the US security position now consists of the offshore island chain from the Philippines to Japan, excepting Taiwan, and a continental toehold in Korea. The strength of this position is directly dependent upon the continuance of economic and military aid and ultimately on the development of a consolidated control. In Korea, the withdrawal of such aid would change the situation adversely. The Philippine Government simply assumes that the US is committed, in its own interest, to maintaining the security of the islands. Taiwan is a political no-man's land, fully exposed to competing interests. The present orientation of Japan towards the US is considered to be exaggerated and unreliable; though it does rest upon more than the fact of being occupied. It derives from a complete dependence upon the US economically and for security, and upon the expectation that the maintenance of the US position in the Far East will eventually require Japanese revival. Thus Japan continues to be a purchaseable asset; but if, in more critical circumstances, the US position appeared untenable, Japan would realistically consider seeking the best possible bargain with the USSR and its Communist supporters.

China has ceased to be a calculable factor in relation to US security. There is almost no organized fight left in any of the bits and pieces of Nationalist China. The remnants of the Kuomintang regime are primarily concerned with diverse regional interests and, therefore, an effort to build a new US position on this basis would seem to offer only limited advantages at great risk. Yet the whole of China—Communist or not—will need the maximum foreign aid that can be had. Superior ability to provide such assistance belongs to the US, not to the USSR; but this offers no more than a long-term chance to cut back the present favorable Soviet position.

In addition, Communist success in China has given special significance to the position of the West in Southeast Asia. Southeast Asia has, since the war, been primarily concerned to escape from a colonial status. Its collective response to the conflict that has developed between the West and the USSR has been one of apathy and aloofness. Indigenous nationalist movements, frequently in open conflict with Western European authority and sometimes willing to accept Soviet-Communism as an ally but not as an alternative authority, find themselves in a confusing situation. The nations of Western Europe, concerned to strengthen their domestic economies, are reluctant to meet nationalist demands except by the methods of slow political evolution. The US, whose comprehensive security interest requires, on the one hand, that the power potential of Western Europe should be rebuilt, and, on the other, that strategic colonial areas should be stabilized against Soviet-Communist exploitation, is in a dilemma. In Indonesia and Indo-China, US security is perpetually balanced between undermining a Western Ally by supporting an Asiatic nationalist movement or destroying the remains of a US position on the continent of Asia by indirectly helping to suppress such aspira-

S E C R E T

7

S E C R E T

tions. In Malaya and Burma, a similar problem, though presented in a different form, confronts the UK. The success of the UK in handling it is of direct concern to the US.

If the security problem here described had developed in isolation, it would not have called for very heavy weighting. But it has developed in conjunction with a weakened position in China and an uncertain position in India; and is, in addition, tied in with maintaining the improved position in Western Europe. It is accordingly considered that the relative security position of the US in Southeast Asia is less favorable than that of the USSR because the situation will no longer respond to simple solutions and a delayed solution increases the opportunities for Soviet influence.

11. *Latin America:* While the signing of the Inter-American Treaty of Reciprocal Assistance in Rio de Janeiro in 1947 may have marked the first important step in the US shift toward seeking security through regional groupings rather than in the UN—a shift that has now culminated in the signing of the Atlantic Pact—Latin America has received but minor attention compared with the emphasis given to US security interests in Europe and Asia. The termination of the wartime programs of support unquestionably produced in Latin America a feeling of being “left out” of US plans. More recently, US emphasis on Europe in the ERP program, taken in conjunction with the economic problems that were making life hard for Latin American governments, contributed to the conviction that the entire region was being relegated to a subordinate position.

This feeling possibly reached its height at the time of the Bogotá Conference in April 1948. It never led, however, to any real increase in the influence of the USSR. There are no pro-Soviet or even strongly Communist-influenced governments in Latin America. In addition, Latin Americans believe, in principle, that their countries have a stake in the rehabilitation of Europe, and that successful opposition to Soviet ambitions is to be counted as a gain for themselves.

Since Bogotá, there have been signs of a lessening resentment toward the US. For example, the enunciation of President Truman’s “Point 4” program has awakened new hope of US assistance.

Even though US relations with Latin America may leave something to be desired, there is no doubt that the position of the USSR has relatively declined in this region, and that the present position of the US is favorable. It is considered that the Latin American feeling of being neglected in US planning may continue to impair the cooperation that the US might wish for in the conduct of a “cold war.” It is not considered, however, that, in case of actual hostilities with the USSR in the near future, Hemisphere solidarity will have been significantly affected.

12. *The United Nations:* In relation to the United Nations, the Atlantic Pact is the direct consequence of the inability of the UN to function effectively as the collective security agent for its individual members. As far as US security is immediately concerned, the shift of the method of obtaining it from the UN to a regional bloc improves the US position relative to the USSR; and represents a realistic, though only partial adjustment of US-Western policy to the actual global distribution of power. The consequences of this adjustment on the future of the UN will not become clear for some time. Basically, while world opinion desires and policy seeks to maintain peace through the

S E C R E T

S E C R E T

UN, national feelings demand and policy seeks to achieve security. It is considered that the present necessary emphasis on security will keep the majority of UN member states firmly behind the US line, and that Soviet attacks will more than ever be interpreted as propaganda.

It has been suggested that the practical removal of the US-USSR conflict from a general body, in which the intentions of a US-controlled voting majority are checked by a USSR veto, may enable the UN to re-establish its international credit by freeing it to exercise its less spectacular legal, social, and economic functions. It has also been suggested that, since it may well seem that the signatories of the Atlantic Pact have found a method of by-passing the Security Council, the USSR may withdraw from an organization that no longer offers significant opportunities for achieving its objectives. Neither of these possibilities seriously affects the security position of the US for the short-term.

13. *The Balance Sheet:* On balance, as of April 1949, the following summary statements can be made about the relative power positions of the US and the USSR.

a. The global position has been slightly changed in favor of the US because of the success with which Western Europe is being revitalized to oppose Soviet and Communist expansion. It is now reasonable to assume that the industrial potential of Western Europe will increasingly buttress this revived will to resist. But the slight improvement noted, based as it is on changes in the more immediately important European situation, cannot be validly projected beyond the short-term. The definitely unfavorable position in the Far East, if it becomes set in an unfavorable form, can lead to profound modifications in the long-term.

b. A slightly unfavorable change is being experienced by the USSR. It is essentially a product of US success in reversing a trend towards disintegration in Western Europe and is accordingly felt most clearly in connection with the problem of controlling the Soviet Satellites.

c. In regional detail:

(1) *Europe:* the position is definitely more favorable to the US.

(2) *Near and Middle East:* slightly more favorable to the US in Turkey; not essentially altered in Greece; continues uncertain in Iran. Elsewhere in the region the relative positions remain fundamentally unchanged.

(3) *India, Pakistan, Afghanistan:* the situation is so fluid that no estimate is offered. It is certain, however, that the US-UK position is not yet threatened and that no positive advantages have accrued to the USSR.

(4) *Far East (China and Southeast Asia):* definitely less favorable to the US.

(5) *Far East (Offshore Islands):* slightly less favorable for the US, in that the maintenance of a favorable position clearly depends upon the continuance of US financial subsidies and military commitments.

(6) *Latin America:* no fundamental change for the US, but definitely less favorable to the USSR.

S E C R E T

S E C R E T

d. Finally, the question comes up of whether or not the USSR, restricted in Europe, will modify its policy towards Western Europe, seek simply to consolidate the advantageous positions it has gained up to this point, and concentrate on the long-term objective of developing the significant opportunities that have been opened in Asia. Such concentration would not be incompatible with the maintenance of continued pressure in Europe and the Near and Middle East. It would also be compatible with the logic of power relations as analyzed by Marxist doctrine.

S E C R E T

10

SECRET